"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do agree to nominate seven members from Rajya Sabha to associate with the Committee on Public Undertakings of the Lok Sabha for the term ending on the 30th April, 1988, and do proceed to elect in such manner as the Chairman may direct seven members from among the members of the House to serve on the said Committee."

The motion was adopted.

STATEMENT BY MINISTER

I. Regarding the purchase of 155mm Guns from the Swedish Firm Bofors.

MR. CHAIRMAN: Now, Mr. Arun Singh will make a statement on purchases from Swedish firm Bofors. He will first read the statement and then the discussion will start.

THE MINISTER OF STATE IN THE DEPARTMENT OF DEFENCE RESEARCH AND DEVELOPMENT IN THE MINISTRY OF DEFENCE (SHRI ARUN SINGH): Mr. Chairman, Sir, on the 17th April, 1987, several newspapers reported a Swedish radio broadcast on 16th April, 1987, that bribes had been paid to senior Indian politicians...

SHRI PUTTAPAGA RADHAKRISHNA (Andhra Pradesh): Sir, on a point of order, Here it is mentioned "Indian politicians", but the news was not Indian politicians.

MR. CHAIRMAN: That is not a point of order. Please sit down. Don't disturb.

SHRI ARUN SINGH:...and key Defence figures to win a contract which was awarded by the Government of India to M/s. Bofors of Sweden on the 24th March, 1986, for the purchase of FH-77B 155 mm Towed Howitzers.

While reiterating Government's categorical denial of this baseless allegation, I would like to place the following information before this august House.

In the 1970s the Indian Army initiated studies to identify a field artillery system to replace its obsolescent 5.5 inches guns, by undertaking a definition of its future artillery requirement and a search for possible system which could be inducted.

This resulted in a Philosophy Paper prepared by the Army in 1979, which led to the identification of the following basic requirements of the future gun system:--

(i) The system had to be of a truly new generation, incorporating futuristic technology;

(ii) Its range should be about 24 Kms. with standard ammunition, extendable to 30 Kms. with special ammunition.

(iii) It had to have burst fire capability;

(iv) It had to have a high angle firing capability.

In addition to these basic requirements, other vital elements such as mobility, survivability, system responsiveness and stretch potential were also identified.

Between 1980—82, the Army tried and evaluated a variety of weapons systems. After a paper evaluation of almost a dozen systems, six were actually tried out in this period. As a result of these trials and a subsequent General Staff evaluation, the Army short-listed four of these systems for the consideration of the Ministry of Defence. These had been offered by SOFMA of France, BOFORS of Sweden, IMS of UK and VOEST Alpine of Austria.

[Shri Arun Singh]

Government approval was accorded in April 1984, for the commencement of technical and commercial negotiations with the four shortlisted firms with a view to acquiring the proposed gun system and also to negotiate for their licensed production in India. Government established a high level Price Negotiating Committee headed by the Defence Secretary, including Secretary Defence Production and Supplies, Scientific Adviser to Raksha Mantri, Secretary Expenditure, Additional Secretary Economic Affairs, Financial Adviser in the Ministry of Defence and the Deputy Chief of Army Staff.

Detailed technical negotiations were held with the four potential suppliers by Army, assisted by scientists and technologists of DRDO and Defence Production and Supplies Department. On the conclusion of these discussions, the General Staff recommended shortlisting FH-77B of Sweden and TR-155 of France for final commercial negotiations and conclusion of a contract.

In May, 1985, the Defence Secretary, as Chairman of the Price Negotiating Committee, individually advised the leaders of each of the four competing firms that the policy of present Government did not approve of the appointment of Indian agents acting for foreign suppliers. He specially asked them to reduce their offers by the amount of such commissions, if any had been provided for. They were unambiguously advised that the decision of the Government of India would be based entirely on the merits of each offer. Defence Secretary further stated that Government of India would disqualify a firm in case it came to its notice that an agent had been appointed by a foreign firm. On the eve of finalising the contract, in response to a reiteration of Government's policy and a demand for confirmation, M/s. Bofors replied, *vide* their letter of the 10th March, 1986, that they did not employ any Representative/Agent in India for the project. However, for administrative services, *e.g.* hotel bookings, transportation, forwarding of letters, telexes etc., they use the services of a local firm.

Besides the formally recorded deliberations of the Price Negotiating Committee, the Government of India's policy in this regard was conveyed to the concerned governments whenever an appropriate opportunity presented itself, either through their Ambassadors in India or during the visits of senior functionaries of such governments to New Delhi. In the case of Bofors, opportunities arose during the visit of Mr. Carl Johan Aberg, Permanent Under Secretary of State Foreign Trade of the Swedish Government as well as during personal consultations between our Prime Minister and the late Mr. Olof Palme. The aforesaid position has been confirmed by Mr. Aberg in a statement made by him on 17th April, 1987 regarding the Bofors contract with India. His statement is as follows:

> "Indian Prime Minister Rajiv Gandhi himself during his talks in 1985 with Olof Palme said that one of the pre-conditions that Bofors should satisfy in connection with the Howitzer contract was that the company should have no middlemen. The deal should be drawn directly between Bofors and the Indian Defence Ministry. The company informed the Swedish Government representative in autumn 1985 that there would be no middlemen involved and that they would deal directly with Indian Defence Ministry.
>
> This was conveyed by Olof Palme in his personal conversation with Rajiv Gandhi in January, 1986."

It would thus be seen that there was no doubt whatsoever, in Bofors or in the Swedish Government, about

the Government of India's policy that no commissions or agency fees should be paid in respect of contracts secured from India.

By inducting the Bofors FH-77B Towed Howitzer the Government of India have achieved the following:—

(i) Acquired the weapon system which, in the technical opinion of Army Headquarters, was the most preferred.

(ii) Acquired it at a value cheaper than that offered by its closest competitor.

(iii) Obtained considerable price reduction from the original bid which was based on June, 1984 base prices plus escalation an converted it into a fixed price contract at the reduced level.

Government have already categorically denied the allegations. The statement issued by Government o India on April 17, 1987 reads as follows:—

"Government categorically deny the allegations contained in the news stories based on the reports broadcast by the Swedish radio and television in connection with an arms order placed on the Swedish firm Bofors. The news item is false, baseless and mischievious. During the negotiations the Government had made it clear that the company should not pay any money to any person in connection with the contract, Government's policy is not to permit any clandestine or irregular payments in contracts. Any breach of this policy by any one will be most severely dealth with.

The report is one more link in the chain of denigration and destablisation of our political system. Government and the people are determined to defeat this sinister design with all their might."

If any evidence is produced involving violations of the law, the matter will be thoroughly investigated and the guilty, whoever they may be, punished.

SHORT DURATION DISCUSSION ON PURCHASE OF GUNS FROM BOFORS OF SWEDEN

MR. CHAIRMAN: Mr. Gurupadaswamy will initiate the discussion. I propose to follow a very orderly debate. I will give opportunity to everybody. At the same time, I will see that the debate goes in a very orderly way.

SHRI DIPEN GHOSH (West Bengal): Within the House, Chairman is the middleman.

SHRI K. MOHANAN (Kerala): Without receiving any commission.

MR. CHAIRMAN: I am the umpire. I am not the middleman.

SHRI M. S. GURUPADASWAMY (Karnataka): Mr. Chairman, Sir, I am raising this very important debate on the Bofors deal not as a critic. I am raising this debate to find the truth and nothing but the truth behind this deal. When this issue was widely published in the Indian Press it created a storm in the political circles or India both in the ruling party and in the Opposition.

SHRI MAHENDRA MOHAN MISHRA (Bihar): Not in the ruling party; only in the Opposition.

SHRI PARVATHANENI UPENDRA (Andhra Pradesh): Sir, they are starting the game again.

MR. CHAIRMAN: I will tell you one thing. In Parliamentary democracy, a person is entitled to say what he wants provided he is within the limits of propriety and it is not unparliamentary. Therefore, you